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“SUBSTITUTES FOR SHIP SUBSIDIES”: A REPLY.

BY ALEXANDER R. SMITH.

IT is a somewhat significant commentary on the paucity of argument against government aid for American merchant ships in the foreign trade, that recourse is had so often to the statistics of our domestic shipping to prove an increase in “our maritime efficiency.” In advocating small bounties on cargoes carried from the United States, as “Substitutes for Ship Subsidies,” in the January number of the *NORTH AMERICAN REVIEW*, Mr. Louis Windmüller falls into this error. It should be clearly understood that subsidies are not asked for vessels in our domestic trade, but only for our shipping in the foreign trade. Our domestic shipping, which is protected by our laws against the competition of foreign shipping, is in a state of healthy, prosperous and profitable growth. The reverse is true of our unprotected shipping in the foreign trade. And it is because of this fact that subsidies and bounties are asked for the latter.

Mr. Windmüller, in my judgment, would have come much nearer to a correct statement of the condition he wished to describe, had he submitted such a table as the following in place of the one he used in his article:

AMERICAN TONNAGE IN FOREIGN TRADE IN 1890 AND 1899 COMPARED.

Year.	Total Tonnage.	Sail.	Steam.
1890.....	946,695	749,065	197,630
1899.....	848,246	488,216	360,030

Here is shown an actual decline of over ten per cent. in our tonnage under register (in the foreign trade) in ten years. But it would be scarcely fair to assert that there had been an actual decline in the “efficiency” of our tonnage, as it is estimated that a ton of steam shipping is equal to three tons of sail shipping. On this basis, therefore, Mr. Windmüller might contend that the

Following would be a fairer statement of the efficiency of our shipping under register:

EFFICIENCY OF AMERICAN SHIPPING UNDER REGISTER IN 1890
AS COMPARED WITH 1899:

Year.	Total Tonnage Efficiency.
1890.....	1,341,955
1899.....	1,568,306

This would show a growth in the efficiency of our marine in the foreign trade of over seventeen per cent. But, to be just, Mr. Windmüller would have been compelled to admit that it is our steam shipping that has been aided, during the larger part of the decade named, in which the growth has occurred, and that the decline has been in our sail tonnage, which has received no aid whatever during that time. There are no regularly established lines of steamships under our flag in the foreign trade that do not receive direct aid from our Government, and as to steamships which do not receive aid, it will be found, upon examination of the official records, that they are, generally speaking, engaged as much in the domestic as in the foreign trade. In other words, it is fair to assume that, but for the aid given by the enactment of our postal subsidy law of 1891, crippled as it was, there would have been no substantial growth in our steam shipping in the foreign trade between 1890 and 1899. In this very connection, the statistics of our steam tonnage under register from the close of the Civil War up to and including 1891, when the postal subsidy act was passed, fully bears out the claim that, but for this aid, our steam shipping under register would have shown no substantial growth in the last decade. As the war ceased only three months before the close of the fiscal year of 1865, the figures of the steam tonnage for that year are misleading, because they were abnormally low, being but 98,008 tons. In 1866, the steam tonnage under our register amounted to 198,289, while in 1890—twenty-four years later—it was but 197,630 tons, showing a slight decline. It should be said, however, that, between those years, our steam tonnage under register had (in 1868) increased to 221,939 tons, the highest amount, and had declined (in 1880) to 146,604, the lowest amount. The annual average of steam tonnage under American register during the entire twenty-six years succeeding 1865, was 186,182. It will be observed that from the time of our Civil War until 1891, the growth of our steam ton-

nage under register was practically nil. Using Mr. Windmüller's own citation of the subsidy paid to the Pacific Mail Steamship Company, between 1865 and 1876, it is pertinent to show that during that entire period, excepting 1865, our steam tonnage under register never fell below 177,666 tons, and was as high during one year as 221,939, which latter figure was not again reached until 1891. It is also pertinent to point out that our tonnage under register fell, in 1878, to 170,838, and in 1880 to 146,604, the latter marking the lowest tonnage in any year succeeding 1865, and to add that it is by no means improbable that this decline was due to the withdrawal of the subsidies in 1876.

Even going back to 1850, and citing the case of the Collins Line, referred to by Mr. Windmüller, which in that year had come into full operation, we find additionally interesting data. Our first subsidy act was passed in 1845, advantage of which was taken for the first time in 1847, when but 5,631 tons of steam shipping was under American register. The next year it increased to 16,068 tons, and in 1849, the year in which the Collins ships first appeared, our steam shipping under register had increased to 20,870, more than doubling in 1850, when our steam tonnage under register amounted to 44,942—a growth of over 800 per cent. in three years. It still further increased until 1855, when it reached 115,045 tons, but again declined, probably largely because of the severe losses suffered by disaster to the Collins Line, falling, in 1858, to 78,027 tons. This was the year in which the Collins Line failed, and this was the year in which the United States subsidy was withdrawn from the line—at a time, by the way, when its great rival, the British Cunard Line, was receiving a subsidy from the British Government of approximately \$1,000,000 a year!

Coming down to the period that has elapsed since the postal subsidy act of 1891, we find that it is in this period that the real revival in our steam tonnage has occurred; and it is that revival which alone gives the semblance of progress to our merchant shipping under register. In 1892, our steam tonnage under register amounted to 228,899, a drop of 11,000 tons since the preceding year. It may here be proper to point out that the act of May 10th, 1892, admitting to American register the steamships "Paris" and "New York," led to the construction of the "St. Paul" and "St. Louis," this one act alone effecting an addition to

our steam shipping under register of 44,600 gross tons. In 1893, our steam shipping under register increased to 261,103, the addition of the "Paris" and "New York" increasing the amount by 21,342 tons. And, in 1899, our steam shipping under register, as has been pointed out, reached 360,030 tons. This average, during eight years, or from 1892 to 1899 inclusive, amounted to 273,198 tons of steam shipping under register, which is an increase in the average of the last eight years of forty-five per cent., as compared with the average during the preceding twenty-six years. This summary of our maritime growth shows the extent to which government subsidies have been a stimulus.

It should be said further, that the provisions of the postal subsidy bill, as originally drafted, were cut thirty-three per cent. before the bill was passed, a reduction that seriously crippled and has greatly retarded the growth of our steam shipping under register. If (as was pointed out in Senator Frye's speech at the opening of the short session of the 56th Congress, when he explained the provisions of the pending shipping bill in detail), the pending shipping bill should be passed, its provisions as to high-speed passenger steamships would scarcely vary from the sum provided in the postal subsidy bill as it first passed the United States Senate without a roll call in 1890. In the light of the present criticism of the provisions of the pending bill, in respect to fast steamships, this significant point has been all but lost sight of, both in and out of Congress.

If the figures of our maritime growth in the foreign trade be compared with those of other leading maritime nations, less reason for exultation will be found than Mr. Windmüller discovered in the tables of the domestic and foreign shipping of the maritime nations which he used in his article in the REVIEW. Mr. Windmüller seems inclined to doubt that ships cost more to build in the United States than in Europe, and he entirely overlooks the fact that the cost of ships in British shipyards at present is abnormally high. Since none of our shipowners has been able to find any American shipbuilders who are willing to build ships in this country as cheaply as they can be built abroad, although they have diligently sought for them, there is not much in the mere assertion of those who only think that they can be built here as cheaply. "Until additional shipyards furnish more vessels," says Mr. Windmüller, "capable of satisfying a larger pro-

portion of the enormous demand of our export trade, the cost of American steamers will not be lowered." It is the confident belief of almost everybody who has studied the shipping bill now pending, that one of its chief and most immediate accomplishments will be the creation of a number of large shipyards, equipped to meet any demand, of a character to make competition between our own builders much more severe, and likely to force a permanent reduction in the cost of American construction.

Mr. Windmüller presents a fair summary of the essential provisions of the bill now pending, but he contends that "it will fail to accomplish" its "avowed objects." The reason he ascribes for this sweeping opinion is that the subsidies "will chiefly accrue, for some time to come, to American lines which cross the Atlantic and Pacific for the purpose of carrying passengers and expensive freight." He is quite mistaken in this, as the subsidies will chiefly accrue to cargo-carrying ships. But the "expensive freight" carried in fast steamships from the United States is none the less the product of our people than is the inexpensive freight, and happy is the nation which is able to export a larger quantity of "expensive freight" than of inexpensive products in their unmanufactured state! We must not overlook the usefulness of fast steamships as mail carriers. And, whether or not their existence stimulates an increase of passenger traffic, it should be remembered that passengers are not all carried in the cabins, and that those brought hither in the steerage have, generally speaking, been of the greatest assistance in helping our people to develop their almost inexhaustible resources, and thus adding to the nation's visible and tangible wealth. Mr. Windmüller thinks that "what the country really needs is carriage, at reasonable rates, for the immense yield of our agriculture, and for the bulky products of our mines," and he adds that, if ships "were readily obtainable, exports could be further increased," especially, he further points out, in direct communication with the southern portions of our continent. But, in point of fact, all of the testimony presented to the Congressional committees which have favorably reported the shipping bill for passage, goes to show that freight carriers of the most modern, economical and useful type will be constructed in the United States, if the bill passes in its present form.

The Congressional committees which have studied the pend-

ing bill had before them every important owner and builder of ships in the United States, during the many months they had the bill under consideration, and their recommendations in its favor are based upon what they regard as facts and arguments establishing its justice, practicability and effectiveness, as well as its superiority over any other alternatives suggested. What Mr. Windmüller says about the usefulness to Great Britain of her policy of giving direct bounties to the seamen who compose her effective naval reserve, is most interesting and timely. That is a subject, however, that may be better dealt with in a separate measure.

The proposition to grant free American registry to foreign built vessels, when carefully considered, proves to be an entirely theoretical suggestion. It seems to free traders to be a natural application of their free trade theories, but in operation it would prove to be entirely impracticable, so far as building up a marine under the American flag is concerned, at the present time. This is the view that has always been held by the shipowners of the United States, people who should be quick to see the advantages of such a policy, if they existed, and to advocate its adoption if it could be shown to be in any way helpful in solving the problem of reviving our mercantile marine in the foreign trade. Mr. Windmüller refers to the time when Great Britain abandoned the laws that confined her registry to British built ships; but it would be interesting to see how any advocate of free ships could prove that the repeal of that law has been of any material advantage to either British shipowners or British shipbuilders, especially since the era of iron and steel. Certainly, British ships are all British built, and, practically speaking, always have been. A law, then, that permits British subjects to purchase foreign built ships, but under which no foreign built ships are actually registered as British, accomplishes nothing for Britons. And certainly it cannot be contended that this law helps British shipbuilders, because it has not affected them in any way. More than that, if the American advocates of this policy of foreign built ships are able to name any American citizen who would be willing, if our laws permitted, to purchase and register foreign built ships as American, and run them in our foreign trade without aid from our Government, they may thus pave the way to its serious consideration.

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